

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7158

BILL NUMBER: SB 328

DATE PREPARED: Jan 3, 2002

BILL AMENDED:

SUBJECT: Broadband Internet Property.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: This bill provides a Sales Tax exemption for transactions involving property that is: (1) capable of providing broadband Internet service; (2) owned by or leased to a broadband service provider; and (3) located outside a customer's premises.

Effective Date: July 1, 2002.

Explanation of State Revenues: Exempting the purchase and lease of property that is capable of providing broadband, or high-speed, Internet service from the Sales Tax will decrease state revenue. The impact on future state revenue is currently unquantifiable, as it is contingent upon future developments and expansions of the infrastructure capable of providing this type of Internet service. However, given the current and expected growth in demand for faster Internet services, the potential loss of state revenue could be significant. With a July 1, 2002 effective date, revenue collections could be affected beginning in FY 2003.

Background Information: Under current law, certain transactions involving the sale of telecommunications equipment are exempt from the Sales Tax if the equipment is used for telecommunications services. Technological advances, however, have begun to blur the distinctions between equipment used for telecommunications and broadband Internet service. Firms are now often able to use the same infrastructure to provide telephone, Internet, and cable television services, whereas previously separate systems would have developed. It is expected that the majority of new development in Internet and cable services would be capable of providing broadband Internet service.

The Department of State Revenue's current procedure in cases where systems are able to provide Internet and phone service is to exempt equipment purchases from the Sales Tax if the equipment is used predominately used for providing telecommunications services.

Gross Retail (Sales) and Use taxes are deposited in the State General Fund (59.03%), the Property Tax

Replacement Fund (40%), the Public Mass Transportation Fund (0.76%), the Commuter Rail Service Fund (0.17%), and the Industrial Rail Service Loan Fund (0.04%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: